

ABSTRACT OF THE DISCLOSURE

A method of making differentiated goods available by charging two prices, wherein the first price ("option price") reflects the value that the consumer assigns to an increased variety and quality of choices and wherein the second price ("use price") reflects the marginal costs of affording a good's actual use by an additional consumer. For this purpose, consumers are bundled into groups that make collective decisions on the purchase of as many single options to use goods at the use price as possible. Additionally, an auction process may be applied when the collective purchase of options fails: Based on revealed personal willingness to pay, a uniform option price is determined so as to maximize the proceeds of that auction while each participant with a sufficiently high bid purchases the option at that price. The option prices nearly match the consumer's willingness to pay for the improvement of choices by each single good available at the use price in respect to the average of all goods that are purchased in accordance with this invention. Also, the option prices match the aggregate willingnesses to pay of a group for the corresponding improvements of choices. It can be expected that the consumers' freedom to use differentiated goods, the consumer surplus, and the quality of the differentiated goods increase. Additionally, the invention assures that producers are fully compensated for their contribution to the welfare of consumers applying the invention.

BIBLIOGRAPHY

- Clarke, Edward H. 1971. Multipart Pricing of Public Goods. Public Choice 11: 17-33.
- Economides, Nicholas. 1993. Quality Variations in the Circular Model of Variety-Differenciated Products. Regional Science and Urban Economics 23: 235-257.
- Salop, Stephen C. 1979. Monopolistic Competition with Outside Goods. <u>Bell Journal of Economics</u> 10: 141-156.
- Tideman, T. Nicolaus and Gordon Tullock. 1976. A New and Superior Process for Making Social Choices. <u>Journal of Political Economy</u> 84 (6): 1145-1159.
- Varian, Hal R. 1997. Versioning Information Goods.

 http://ksgwww.harvard.edu/iip/econ/varian.html am 27. August 1998.
- Vickrey, William. 1961. Counterspeculation, Auctions, and Competitive Sealed Tenders. <u>Journal</u> of Finance 16: 8-37.
- Waterman, David. 1990. Diversity and Quality of Information Products in a Monopolistically Competitive Industry. <u>Information Economics and Policy</u> 1989/90 (4): 291-303.